

Ex Parte
CC Docket Nos. 96-262, 94-1, 99-249, 96-45
CALLS Order Remand Proceeding

Introduction

The Maryland Office of People's Counsel (MOPC) and National Association of State Utility Consumer Advocates (NASUCA) respectfully submit the attached tables which demonstrate that the FCC's use of an annual \$650 million interstate access support mechanism is more than sufficient under the current Subscriber Line Charge (SLC) cap of \$5.00. These tables illustrate the level of surplus support afforded carriers by the current \$650 million fund and demonstrate how this excess funding increases significantly if the FCC were to approve an increase to the SLC cap.

While we do not intend to repeat the arguments MOPC/NASUCA presented in its reply comments we would like to provide a brief summary of how MOPC/NASUCA determined that the amount of interstate access support should not exceed \$629 million if the FCC retains the current \$5.00 residential and single-line business cap, and that the amount of support should decrease to a maximum of \$336 million if the FCC allows the residential and single-line business SLC cap to increase to \$6.50. We believe that a deeper understanding of our how our calculations were executed will provide further insight into the problem at hand and reveal the superiority of our support estimates.

As noted above, it is necessary to first transform the FCC's Synthesis Model so that it estimates common line access costs. MOPC/NASUCA is the only party that correctly:

1. Calculated per line common costs;
2. Separated interstate costs from the total cost of service;
3. Removed redundant structure cost from the model outputs;
4. Removed traffic-sensitive loop costs from the total loop cost;
5. Developed the appropriate geographic area for determining loop costs.

Without making these adjustments the standard application of the Synthesis Model will overstate the cost of providing interstate access services and, therefore, exaggerate the amount of support required by the interstate access support mechanism.¹

¹ While the support estimates calculated by MOPC/NASUCA are the most accurate estimates on the record in this proceeding we believe that these estimates nevertheless overstate the size of the interstate access fund because they do not reflect the higher SLC revenue obtained from non-primary lines. MOPC/NASUCA strongly urges the FCC to include the higher revenue from non-primary SLCs in its determination of the required level of support.

Description of Net Contribution Tables²

The support amounts that appear in these tables were calculated with the help of data retrieved from USAC databases and the FCC's Synthesis model outputs. The relevant variables in the workpapers are:

- [Column D] “Total Lines” is the sum of residential and single line business lines;
- [Column E] “Zone Average Cost” is calculated on an monthly basis per observation using the aforementioned Synthesis Model transformation;³
- [Column F] “Economic Cost” is “Total Lines” multiplied by “Zone Average Cost” multiplied by 12 or $([D] * [E] * 12)$;
- [Column G] “Effective SLC” is the lesser of the \$5.00 SLC cap or the maximum allowed CMT revenue.
- [Column H] “SLC Revenue at \$5.00 Cap” is “Total Lines” multiplied by “Effective SLC” or $([D] * [G] * 12)$
- [Column I] “Potential Contribution at \$5.00 Cap” is “SLC Revenue at \$5.00 Cap” minus “Economic Cost” or $([H] - [F])$ (positive values only)
- [Column J] “Subsidy Required at \$5.00 Cap” = “Economic Cost” minus “SLC Revenue at \$5.00 Cap” of $([F] - [H])$ (positive values only)
- [Column K] “Net Contribution at \$5.00 Cap” was calculated by subtracting “Subsidy Required at \$5.00 Cap” from “Contribution at \$5.00 Cap” or $([J] - [I])$ The sum of this column [\$635,061,517.35] is the amount consumers are currently overpaying for interstate access exclusive of the interstate access fund.

NASUCA estimated that subscribers receive \$472 million⁴ in support when the residential and single-line business SLC cap is at \$5.00. These estimates were for 76 study areas identified as price cap, non-rural study areas with UNE zones formed from a group of wire centers.

In addition to these 76 study areas, another 105 study areas are governed by the rules adopted in the CALLS Order. These 105 study areas include four price cap non-rural study areas with UNE zones below the wire center level, and 101 rural price cap study areas. These study areas receive \$157 million in interstate access support.⁵

² The following description applies to Table A “Net Contribution of SLC at \$5.00”. However, this general methodology is equally applicable to Tables A through E as the tables only differ by the application of different SLC caps and the way in which the observations were aggregated (i.e. by zone vs. carrier)

³ The interstate portion of this cost was calculated using the gross interstate allocator (25%) and carrier specific Dial Equipment Minutes (DEM) allocators.

⁴ See Column J

⁵ http://www.universalservice.org/overview/filings/20012q/HC06_2001_IAS_by_Study_Area.xls

Adding the \$157 million current funding for study areas for which there is no zone forward-looking cost estimate to the \$472 million support estimate for the 76 study areas with zone forward-looking cost estimates generates NASUCA's the maximum sufficient support estimate of \$629 million.⁶

NASUCA estimated that non-rural subscribers receive \$252 million in support when the residential and single-line business SLC cap is at \$6.50. To determine the overall maximum sufficient support estimate if the SLC were allowed to increase to \$6.50, NASUCA multiplies the \$629 million estimate by the ratio of \$252 million and \$472 million, yielding \$336 million. This calculation reduces the support to study areas without forward-looking zone cost estimates by the same percentage reduction in support that study areas with forward-looking zone cost estimates will receive.

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⁶ Our support estimate of \$629 million, based on a \$5.00 SLC, can be obtained by adding cell K213 from TAB "\$5.00 Z" to cell K48 from TAB "Rural Carriers" in the attached Excel workbook.